

Message Text

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FM AMEMBASSY SANTIAGO

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C O N F I D E N T I A L SANTIAGO 0693

LIMDIS

EO 11652: GDS

TAGS: EAID, CI

SUBJECT: KUBISCH-HUERTA MEETING: GOC REQUEST FOR DEVELOPMENT
ASSISTANCE

REF: SANTIAGO 0661

1. FOLLOWING IS DRAFT MEMCON WHICH HAS NOT BEEN SEEN BY ASSISTANT SECRETARY KUBISCH. IT SHOULD NOT BE DISTRIBUTED UNTIL APPROVED BY HIM.
2. FOREIGN MINISTER HUERTA RAISED THIS SUBJECT, SAYING THAT IN ADDITION TO THE SHORT-TERM PROBLEM OF FOOD SUPPLIES, CHILE HAS A LONG-TERM PROBLEM OF RESOURCES FOR DEVELOPMENT. THE COMBINED REQUIREMENTS OF PAYING CHILE'S INTERNATIONAL DEBT AND SIMULTANEOUSLY PAYING FOR FOOD AND OTHER ESSENTIAL IMPORTS CREATE A DIFFICULT PROBLEM. BETWEEN DEBT REPAYMENT AND THE NEED TO MAKE LARGE FOOD IMPORTS AND PAY THE HIGHEST COSTS OF PETROLEUM AND FREIGHT RATES, THERE IS LITTLE MARGIN LEFT FOR INVESTMENT IN DEVELOPMENT. THE ATTITUDE OF THE PARIS CLUB CREDITORS IS VERY IMPORTANT IN EASING THIS PROBLEM. IN ADDITION, THE GOC WOULD LIKE TO REQUEST USG DEVELOPMENT ASSISTANCE.
3. KUBISCH SAID THE MINISTER COULD BE ASSURED THAT USG WOULD COOPERATE FULLY IN THE PARIS CLUB MEETING ON RESCHEDULING OF CHILEAN DEBT. OF COURSE, EXACT TERMS WILL HAVE TO BE AGREED UPON BETWEEN THE CREDITORS. HE INVITED THE MINISTER TO INFORM AMBASSADOR POPPER IF PROBLEMS DEVELOP IN THE PARIS CLUB MEETING ON WHICH IT SEEMS THAT U.S. REPRESENTATIVES MIGHT BE MORE

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RESPONSIVE.

4. KUBISCH SAID THE USG WOULD COOPERATE IN THE MATTER OF ECONOMIC ASSISTANCE IN EVERY WAY WE CAN VIA AID AND THE INTERNATIONAL FINANCIAL INSTITUTIONS. HE NOTED THAT AID APPROPRIATIONS HAVE BEEN REDUCED EACH YEAR AND THAT SENATOR FULBRIGHT HAS INTRODUCED LEGISLATION DESIGNED TO TERMINATE AID ASSISTANCE ALTOGETHER. DESPITE THESE PROBLEMS, WE SHALL TRY TO HELP WITH A LOAN OR TWO IF WE OBTAIN AID FUNDS. AT THE SAME TIME, IT MUST BE RECOGNIZED THAT THE U.S. IS SUFFERING MANY ECONOMIC PROBLEMS OF ITS OWN, INCLUDING PETROLEUM SHORTAGES, HIGH PRICES, AND TRANSPORT STRIKES WHICH HAVE PRODUCED FOOD SHORTAGES IN SOME CITIES. IN ADDITION, THIS IS AN ELECTION YEAR. AS A RESULT, IT IS NOT POSSIBLE TO FORESEE ANY MOBILIZATION OF MASSIVE U.S. ASSISTANCE, BUT THE USG WILL TRY TO DO A BIT HERE AND THERE AS IT CAN.

5. KUBISCH SAID THAT WITH REGARD TO ECONOMIC EFFORTS OVER THE LONGER TERM, AMBASSADOR POPPER HAD SPENT MUCH TIME DISCUSSING THIS MATTER IN WASHINGTON AND WOULD BE WORKING IN SANTIAGO WITHIN HIS OWN MISSION AND WITH THE REPRESENTATIVES OF THE INTERNATIONAL FINANCIAL INSTITUTIONS AND OF OTHER COUNTRIES WHO WISH TO HELP CHILE IN AN EFFORT TO DEVELOP A COORDINATED PROGRAM FOR CHILE.

POPPER

NOTE BY OC/T: LIMDIS CAPTION ADDED PER S/S-O, MR. NEWLIN.

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